

FDIC State Profile

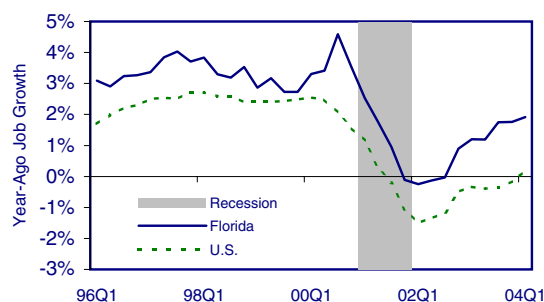
Summer 2004

Florida

Florida's recovery is among the strongest in the nation.

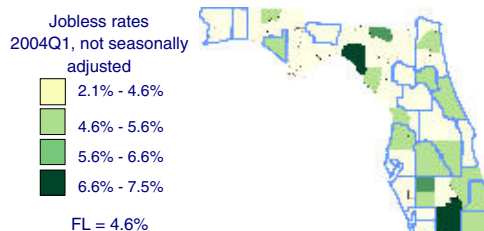
- Florida created more jobs over the year ending first quarter 2004 than any other state, although job creation remains well below the rates enjoyed during the late 1990s (See Chart 1). Continued declines in the state's jobless rate and initial unemployment insurance claims reflect improving labor market conditions.
- Much of the Panhandle and southwest counties have the tightest labor markets (See Map 1). Several rural counties, as well as Panama City, Gainesville, Lakeland, Miami, and portions of the Daytona Beach and Ft. Pierce metropolitan areas, have jobless rates in excess of the national average. In some areas, labor market weakness may be masked by a shrinking labor force.
- The vital tourism industry continues to recover. In 2003, visitor levels reached a record high. First quarter 2004 data indicate that visitor levels have increased even further. Rising energy costs and increases in theme park prices, however, may constrain faster gains during the rest of the year.
- Residential real estate development has fueled a large part of the state's growth over the past year. Permitting and home sales spiked to record levels in early 2004 as the threat of rising interest rates and a continued "land rush" mentality motivated buyers and investors to purchase properties. Median home price appreciation in some markets was well into the double digits in fourth quarter 2004 (See Chart 2). The downside of the state's real estate boom, however, may be that rising rates and rapid home price appreciation could have an adverse impact on affordability.
- Increases in new home prices also may be fueled, in part, by shortages of building materials, particularly cement. Further, higher steel prices are driving commercial construction costs upward. Builders could experience some cash flow reduction should contracts not include material price escalators while material shortages could lead to a slowdown in construction activity.

Chart 1: Florida's Job Growth Continues to Rise



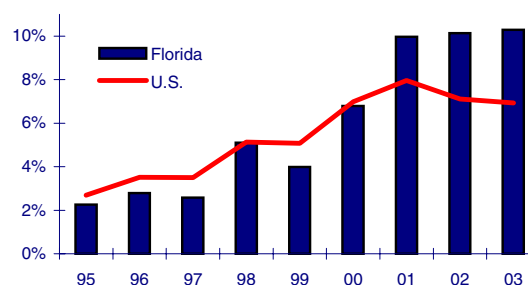
Source: Bureau of Labor Statistics/Haver Analytics

Map 1: Florida's Panhandle and Southwest Counties Have the Tightest Labor Markets



Note: Blue outlined counties are metropolitan areas (1999 definitions)
Source: Bureau of Labor Statistics / Economy.com

Chart 2: Florida Home Price Appreciation Is Well Above the National Average



Source: Office of Housing Enterprise Oversight, Haver Analytics

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- Passage of the Free Trade Area of the Americas (FTAA) legislation will likely have a positive impact for the state, which already relies heavily on international business. Miami is vying to host the headquarters of the FTAA, which could result in thousands of spinoff jobs. It also could result in a windfall for real estate and tourism, particularly in the southern half of the state. However, for Florida citrus growers, which are already suffering from a diet-fad driven decline in demand, passage of the FTAA could result in supply pressures from Brazilian producers.

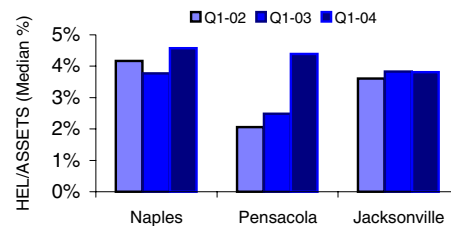
Banking conditions in Florida remained solid.

- Despite a slowdown year-over-year, net income growth continued to be solid at Florida community banks rising 18 percent in first quarter 2004 to \$113 million. This compares to \$96 million in the first quarter of 2003. Earnings growth was buoyed by a resurgence in loan levels, as the loan-to-asset ratio rose more than 2 percentage points from March 31, 2003, to 66.2 percent. Nevertheless, profitability ratios were mixed at these institutions as the median return on asset ratio (ROA) improved to 0.79 percent, remaining well below the national median of 1.1 percent.
- At March 31, 2004, net interest margins (NIM) of 4.1 percent still remained below their level of two years prior when they stood at 4.3 percent; however, margins remained mostly in line with the national median. Improved efficiencies have helped to strengthen ROA while a larger drop in earning asset yields versus the cost to fund these assets resulted in lower NIMs.
- Historically, banks headquartered in Florida have been big issuers of nonresidential RE loans. As a result, exposures in three of Florida's MSAs are among the top 25 markets nationally and include the Sarasota, Orlando, and Fort Lauderdale MSAs. While overall past-due and nonaccrual loan levels have improved, some weakness has developed in the noncurrent portion of the CRE loan portfolio in the Tallahassee and Fort Walton Beach MSAs.
- Construction and Development (C&D) loan growth remained strong with five out of the top 25 trending C&D markets for the nation located in the state. These markets include the Pensacola, Fort Walton, Sarasota, Ocala, and Naples MSAs. Typically, the majority of these loans have been for residential RE construction, and they have performed well due to the resiliency of the state's housing markets.
- The rapid rise in housing prices has contributed to an increase in home equity lending (HEL) statewide. Growth in this loan category was driven primarily by banks located in the Pensacola MSA, where HELs as a percentage of

assets has risen around 2 percentage points since March 31, 2003 (See Chart 3). Consumer usage of HELs may be driven by weak wage and salary growth in the state. While rebounding employment levels are a positive and may lead to faster wage gains, rising interest rates could lower debt service capacity and slow the appreciation of housing values.

- The median Tier 1 capital level of 8.5 percent is below the national median of 9.3 percent. Median reserve coverage of three times noncurrent loans is well above the national median of 1.9 times, but may be overstated given the rapid pace of loan growth in certain segments.

Chart 3: Home Equity Lending Continued to Increase in Several MSAs



Source: Bank Call Reports, March 31st.

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Florida at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	306	306	300	308	306
Total Assets (in thousands)	116,425,070	104,361,627	91,837,021	86,156,362	76,197,733
New Institutions (# < 3 years)	33	38	62	77	74
New Institutions (# < 9 years)	122	118	111	105	99
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	8.53	8.46	8.59	8.72	9.07
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	0.72%	1.00%	1.19%	1.22%	1.12%
Past-Due and Nonaccrual >= 5%	12	22	29	28	21
ALLL/Total Loans (median %)	1.18%	1.18%	1.18%	1.20%	1.15%
ALLL/Noncurrent Loans (median multiple)	2.91	2.53	2.34	2.03	1.87
Net Loan Losses/Loans (aggregate)	0.03%	0.15%	0.26%	0.18%	0.20%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	41	33	45	61	64
Percent Unprofitable	13.40%	10.78%	15.00%	19.81%	20.92%
Return on Assets (median %)	0.83	0.80	0.75	0.73	0.74
25th Percentile	0.42	0.36	0.28	0.24	0.17
Net Interest Margin (median %)	3.99%	4.00%	4.20%	4.13%	4.48%
Yield on Earning Assets (median)	5.41%	5.87%	6.65%	8.23%	8.05%
Cost of Funding Earning Assets (median)	1.39%	1.86%	2.46%	4.17%	3.58%
Provisions to Avg. Assets (median)	0.15%	0.16%	0.18%	0.16%	0.17%
Noninterest Income to Avg. Assets (median)	0.63%	0.70%	0.70%	0.69%	0.73%
Overhead to Avg. Assets (median)	3.05%	3.21%	3.34%	3.43%	3.67%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	82.55%	80.57%	79.33%	76.84%	76.22%
Loans to Assets (median %)	69.08%	69.02%	66.82%	66.27%	64.74%
Brokered Deposits (# of Institutions)	91	75	61	43	35
Bro. Deps./Assets (median for above inst.)	5.45%	5.44%	5.12%	3.62%	2.26%
Noncore Funding to Assets (median)	21.20%	20.31%	20.49%	20.01%	16.58%
Core Funding to Assets (median)	68.07%	67.88%	68.99%	67.67%	70.69%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	166	161	154	153	142
National	68	70	72	77	83
State Member	31	32	31	33	34
S&L	2	4	3	3	4
Savings Bank	39	39	40	42	43
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Miami FL PMSA	44	37,250,219	14.38%	32.00%	
No MSA	42	7,905,822	13.73%	6.79%	
Tampa-St Pete-Clearwater FL	36	9,803,957	11.76%	8.42%	
Orlando FL	27	10,123,961	8.82%	8.70%	
Ft Lauderdale FL PMSA	20	7,495,458	6.54%	6.44%	
Sarasota-Bradenton FL	19	3,596,613	6.21%	3.09%	
W Palm Beach-Boca Raton FL	18	6,870,798	5.88%	5.90%	
Jacksonville FL	15	4,468,263	4.90%	3.84%	
Ft Myers-Cape Coral FL	10	2,596,385	3.27%	2.23%	
Naples FL	10	6,693,565	3.27%	5.75%	
Daytona Beach FL	9	818,294	2.94%	0.70%	
Ft Pierce-Port St Lucie FL	8	6,342,852	2.61%	5.45%	
Lakeland-Winter Haven FL	7	2,026,981	2.29%	1.74%	